

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

REPORT TO MANAGEMENT

JUNE 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/30/11

Board of Directors
Catholic Charities of the Diocese of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR), for the year ended June 30, 2010 and have issued our report thereon. As part of our examination, we made a study and evaluation of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of the financial statements.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

In planning and performing our audit of the financial statements of CCDBR, for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered CCDBR's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCDBR's internal control.

However, during the course of our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are set forth below. We previously reported on CCDBR's internal control over financial reporting in our report dated December 22, 2010. This letter does not affect our reports dated December 22, 2010, on the financial statements of Catholic Charities of the Diocese of Baton Rouge, Inc.'s or its internal control over financial reporting.

2010-1)

Reconciling Fixed Assets to the General Ledger

A manual detailed listing of fixed assets is maintained and prepared by the accounting department. This detailed listing is used to track all capitalized assets and to calculate depreciation for the fiscal year. We noted that a reconciliation of this listing to the general ledger is not performed on a regular basis. To ensure the accuracy of the detailed fixed asset listing, we recommend that the listing be reconciled to the general ledger on a timely basis and at least quarterly.

Management's Response and Corrective Action:

The fixed asset listing has been reconciled annually in preparation for the audit. This past year we had an interim payment for construction work in progress which was accrued but left off the listing. We will start reconciling the asset listing on a quarterly basis.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform an additional study of these matters, or to assist you in implementing the recommendations.

We appreciate the cooperation received from CCDBR personnel during the audit process. This report is intended solely for the information and use of the board of directors, management, and the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Pastlehurst ; Netterville

Baton Rouge, Louisiana
December 22, 2010

CATHOLIC CHARITIES OF THE DIOCESE OF
BATON ROUGE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2010

CATHOLIC CHARITIES OF THE DIOCESE OF
BATON ROUGE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities of the Diocese of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the statement of financial position of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR) (a non-profit organization) as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of CCDBR's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CCDBR's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCDBR as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 22, 2010 on our consideration of CCDBR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of CCDBR taken as a whole. The accompanying Schedule of Expenditures by Program is presented for additional analysis and is not a required part of the basic financial statements of CCDBR. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 22, 2010

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

CURRENT ASSETS

Unrestricted cash and cash equivalents	\$ 880,621
Restricted cash and cash equivalents	1,102,537
Certificate of deposit - unrestricted	10,975
Certificate of deposit - restricted	53,655
Grants receivable	843,726
Unconditional promises to give - United Way	
Services funding for the next fiscal year	310,000
Other current assets	11,539
Total current assets	<u>3,213,053</u>

OTHER ASSETS

Property, furniture and equipment - net	<u>1,610,242</u>
Total assets	<u>\$ 4,823,295</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 473,825
Accrued expenses	179,694
Due to United States Conference of Catholic Bishops	5,500
Current portion of notes payable to Catholic Diocese of Baton Rouge	5,049
Total current liabilities	<u>664,068</u>

OTHER LIABILITIES

Non-current portion of notes payable to Catholic Diocese of Baton Rouge	37,238
Non-current portion of notes payable to Office of Community Development	136,000
Total other liabilities	<u>173,238</u>
Total liabilities	<u>837,306</u>

NET ASSETS

Unrestricted	2,829,797
Temporarily restricted	1,102,537
Permanently restricted	53,655
Total net assets	<u>3,985,989</u>
Total liabilities and net assets	<u>\$ 4,823,295</u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES</u>				
United Way	\$ 343,455	\$ -	\$ -	\$ 343,455
Contributions and foundations	224,195	-	-	224,195
Federal and state contracts	4,929,001	-	-	4,929,001
Catholic Diocese of Baton Rouge	-	1,102,172	-	1,102,172
Fee income	437,213	-	-	437,213
Interest income	6,455	-	-	6,455
Disaster response and emergency assistance grant income	-	580,195	-	580,195
Other income	73,914	-	-	73,914
Net assets released from donor restrictions:				
Satisfaction of program restrictions	4,187,387	(4,187,387)	-	-
Total revenues	<u>10,201,620</u>	<u>(2,505,020)</u>	<u>-</u>	<u>7,696,600</u>
<u>EXPENSES</u>				
Program services	8,576,784	-	-	8,576,784
Management and general	722,084	-	-	722,084
Fundraising	1,770	-	-	1,770
Total expenses	<u>9,300,638</u>	<u>-</u>	<u>-</u>	<u>9,300,638</u>
<u>CHANGE IN NET ASSETS</u>	900,982	(2,505,020)	-	(1,604,038)
<u>BALANCE AT JUNE 30, 2009</u>	<u>1,928,815</u>	<u>3,607,557</u>	<u>53,655</u>	<u>5,590,027</u>
<u>BALANCE AT JUNE 30, 2010</u>	<u>\$ 2,829,797</u>	<u>\$ 1,102,537</u>	<u>\$ 53,655</u>	<u>\$ 3,985,989</u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Management and General	Fundraising	Total Expenses
Specific assistance to individuals	\$ 2,439,808	\$ -	\$ -	\$ 2,439,808
Other salaries and wages	3,314,638	491,448	-	3,806,086
Pension plan contributions	171,820	14,268	-	186,088
Other employee benefits	387,790	37,205	-	424,995
Payroll taxes	220,575	33,882	-	254,457
Fundraising expenses	-	-	1,770	1,770
Accounting and other professional fees	-	35,372	-	35,372
Supplies	67,910	3,148	-	71,058
Telephone	155,519	2,213	-	157,732
Postage and shipping	17,397	64	-	17,461
Occupancy	360,156	3,638	-	363,794
Equipment rental and maintenance	82,454	3,889	-	86,343
Printing and publications	16,507	706	-	17,213
Travel	207,580	13,310	-	220,890
Conferences, conventions, and meetings	34,900	5,292	-	40,192
Depreciation	90,605	18,149	-	108,754
Pass-through contracts	820,789	-	-	820,789
Interest	1,543	-	-	1,543
Other	186,793	59,500	-	246,293
	<u>\$ 8,576,784</u>	<u>\$ 722,084</u>	<u>\$ 1,770</u>	<u>\$ 9,300,638</u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,604,038)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	108,754
Loss on asset dispositions	10,146
Forgiveness of debt	6,047
Changes in:	
Grants receivable	500,731
Unconditional promises to give	(50,000)
Other assets	(5,694)
Accounts payable	186,119
Accrued expenses	(60,106)
	<hr/>
Net cash used in operating activities	(908,041)

CASH FLOW FROM INVESTING ACTIVITIES

Earnings reinvested in certificate of deposit	(2,389)
Purchase of equipment and construction costs	(1,170,088)
	<hr/>
Net cash used in investing activities	(1,172,477)

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from loan	10,000
Principal payments on debt	(3,516)
	<hr/>
Net cash provided by financing activities	6,484
	<hr/>
Net change in cash and cash equivalents	(2,074,034)
	<hr/>
Cash and cash equivalents, beginning of year	4,057,192
	<hr/>
Cash and cash equivalents, end of year	\$ 1,983,158
	<hr/>
Cash and cash equivalents - unrestricted	\$ 880,621
Cash and cash equivalents - restricted	1,102,537
Total cash and cash equivalents	\$ 1,983,158

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during year:	
Interest	\$ 1,543

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Nature of Activities

Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR or the Organization) is a non-profit corporation which was organized under the laws of the State of Louisiana on April 2, 1975, to promote organized charitable welfare and social service work for the moral betterment of all persons.

b. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

c. Promises to Give and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management feels that all promises to give are collectible, and as such, no allowance for doubtful accounts has been established.

d. Grants Receivable

Grants receivable represents amounts owed to the Organization for costs incurred under federal and state grant contracts which are reimbursable to the Organization. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on grants receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines that the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established.

e. Unrestricted Net Assets

It is the recommendation of the Board of Directors and management of the Organization that four to six months operating expenses should be accumulated and maintained as unrestricted net assets in order to cover unreimbursed overhead expenses associated with grant awards and other contingencies, and due to the uncertainty and irregularity in the timing of grant receipts from its federal and state programs.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies** (continued)

f. **Property and Equipment**

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

Furniture and equipment	3 - 10 Years
Shelters	20 - 25 Years

g. **Donated Services**

A significant portion of CCDBR's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the accompanying financial statements since the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. See Note 5 regarding in-kind contributions.

h. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents include and highly liquid investments with original maturities of three months or less.

i. **Allocation of Expenses**

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited based on management's estimates.

j. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

k. **Income Taxes**

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

k. Income Taxes (continued)

On July 1, 2009, the Organization adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Organization has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Organization is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2007.

l. Recent accounting pronouncements

Effective July 1, 2009, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP). All guidance in the Codification carries an equal level of authority. After the effective date of the Codification, all nongrandfathered accounting literature not included in the Codification is superseded and deemed nonauthoritative. FASB will issue Accounting Standards Updates, which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP.

2. Grants Receivable

The detail of contracts receivable as of June 30, 2010, is as follows:

Match Grant	\$ 65,781
Migration and Refugee Services	26,139
Migration and Refugee Services Legal	69,314
Senior Employment Program	41,146
Disaster Response	135,407
Foster Grandparents	71,504
LA CHIP	5,333
Refugee Cash Assistance	201,181
Refugee Social Services	22,885
Case Management	103,916
United States Conference of Catholic Bishops	101,120
	<u>\$ 843,726</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. Property, Furniture and Equipment

Property and equipment acquired by the Organization is considered to be owned by the Organization. However, the State of Louisiana maintains the title to the property and equipment purchased in whole or in part under contracts/grants funded by the State of Louisiana. The State has the right to require the transfer of the property and equipment (including title) to the State or to an eligible non-state party named by the State. Such transfer may occur at any time.

The composition of property, furniture and equipment at June 30, 2010 was as follows:

Land and shelters	\$ 527,696
Furniture and equipment	<u>562,776</u>
	1,090,472
Accumulated depreciation	<u>(479,059)</u>
	611,413
Construction in progress (Evangeline Apartments - Note 16)	<u>998,829</u>
	\$ <u>1,610,242</u>

Depreciation expense totaled \$108,754 for the year ended June 30, 2010.

4. Due to United States Conference of Catholic Bishops

Prior to January 1, 1980, the Migration and Refugee Services Program established a revolving account with the United States Conference of Catholic Bishops (USCCB) for the purpose of resettling refugees. In accordance with the revolving account agreement, these funds are to be returned to the USCCB upon the termination of the program. As of June 30, 2010, the balance due to USCCB amounted to \$5,500.

5. In-Kind Contributions

The Foster Grandparents and Senior Employment Programs received in-kind contributions during the year from various donors for meals, space and volunteers without charge. For the year ended June 30, 2010, these contributions have been recorded as revenue with the offset being recorded as expenses in the amount of \$64,057.

6. Pension Plan

Effective June 30, 2009, employee benefits under the plan were frozen and a defined contribution (401(k)) plan was started as of July 1, 2009. At that point in time, obligations to employees under the Plan were frozen and employer contributions at the rate of 5% of eligible payroll will be used to fund the obligations which are currently unfunded.

As noted above, the Diocese adopted a 401(k) Plan effective July 1, 2009 which covers all full time employees. Eligible employees are automatically enrolled after the first three months of employment but may choose to opt out of participation in the plan. The Diocese provides 100% of the first 2% of elective contributions not to exceed 2% of compensation and participants can elect to contribute between 4% and 98% of compensation. The plan offers both pre-tax and Roth options. For the year ended June 30, 2010, contributions of \$186,088 were made to the plan.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. Due to Catholic Diocese of Baton Rouge

The Catholic Diocese of Baton Rouge also provided financing for CCDBR to acquire a house to be used for shelter for clients in need. The loan amount was \$55,000 and is being repaid in 199 monthly installments. The interest rate on the note is 3.50%. Interest expense incurred on this loan during the year ended June 30, 2010 was \$1,543. The following schedule shows the future payouts of the note:

For year ending June 30.

2011	\$ 5,049
2012	5,049
2013	5,049
2014	5,049
2015	5,049
Thereafter	<u>17,042</u>
	<u>\$ 42,287</u>

8. Note Payable – Office of Community Development

CCDBR received \$136,000 as part of a loan agreement with the Office of Community Development. These funds are to be used for the rehabilitation of buildings as part of the Families First Housing Program. This is a principal only loan with a term of 10 years. The repayment terms of the note will be forgiven as long as CCDBR can establish proof of services paid for by using non-federal funds equal to or greater than the annual repayment amount.

9. Related Party

CCDBR has a relationship with the Catholic Diocese of Baton Rouge (DOBR) that includes participation in Diocesan benefit programs, and considerable savings on rent, insurance, telephone, and other equipment usage. For the year ended June 30, 2010, these in-kind contributions have been recorded as revenue with the offset being recorded as expenses in the amount of \$141,580.

Revenues include \$460,705 of funding from the DOBR to subsidize the Social Responsibility program. In addition, included in revenues is \$410,015 of funding from the DOBR to subsidize the Counseling, Maternity and Adoption program. CCDBR also received cash contributions from the DOBR resulting from the Bishop's Annual Appeal of approximately \$115,500. The DOBR provided additional funding during the fiscal year of \$64,654 to subsidize other administrative costs of the Organization.

Due to the nature of CCDBR's organization, the funding is expected to continue for the duration of these program operations of CCDBR.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors to the following programs:

Senior Employment	\$ 127,638
Social Responsibility	460,705
Family Achievement Center	279,249
Foster Grandparent	10,383
Counseling, Maternity and Adoption	374,511
CCTP	26,589
Direct Assistance	407,380
Disaster Response	294,510
Mitigation and Refugee Services	21,945
Employment Services	221,427
Case Management	221,716
Behavioral Health	364,768
Agency	4,492
Refugee Social Services	38,934
Housing Program	964,016
Joseph Homes	36,167
Other Program Services	332,957
	<u>\$ 4,187,387</u>

11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2010 were available for specific programs being conducted at the Organization as follows:

Counseling, Maternity and Adoption	\$ 35,504
Disaster Response and Recovery	1,067,033
	<u>\$ 1,102,537</u>

12. Disaster Response and Emergency Assistance

CCDBR received, from Catholic Charities USA, a \$15,000,000 grant award to be paid over a period of three years and to be used in response to the devastation of the 2005 hurricanes which impacted the CCDBR community and in accordance with the approved strategic plan. CCDBR has received two of the three installments as of June 30, 2010. The balance available for future draws under this grant is \$3,000,000.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. Off-Balance Sheet Risk

At June 30, 2010, CCDBR may have deposits in a bank in excess of federally insured limits. Management believes the credit risk associated with these deposits is minimal.

14. Promise to Give -- United Way Funding

On May 19, 2010, the Capital Area United Way notified CCDBR of its allocation of fiscal year funding for the year ending June 30, 2010 of \$310,000. This allocation is considered an unrestricted contribution and is recorded as an unconditional promise to give as of June 30, 2010.

15. Endowed Net Assets

The Organization received a permanently restricted donation in the form of a certificate of deposit during 2006. This is the only permanently restricted asset of the Organization. As such, a formal policy for spending has not been established. The income earned off of this endowment is not restricted and therefore, is classified as unrestricted net assets.

The net asset composition by type of fund was as follows as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment	\$ <u>-</u>	\$ <u>-</u>	\$ <u>53,655</u>	\$ <u>53,655</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

15. Endowed Net Assets (continued)

Changes in endowment net assets were as follows as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ -	\$ -	\$ 53,655	\$ 53,655
Investment Return:				
Investment income	-	-	-	-
Net appreciation (depreciation)	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Contributions	-	-	-	-
Endowment net assets, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,655</u>	<u>\$ 53,655</u>

16. Commitments

Effective July 6, 2009, the Organization entered into a contract with the JF Juge Construction Company to assist in the new construction of housing accommodations at the Evangeline Apartments. The total contract amount is \$1,187,000. Approximately \$999,000 of costs associated with this project has been incurred as of June 30, 2010. Given the project is not substantially complete and no residents occupied the renovated apartments as of June 30, 2010, these costs are recorded as construction in progress. The project is expected to be completed during the upcoming fiscal year.

17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 22, 2010, and determined that there were no additional events that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF EXPENDITURES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Non-cash Adjustments, Including Depreciation</u>	<u>Plant, Furniture & Equipment Purchases</u>	<u>Expenditures</u>
Senior Employment	\$ 1,383,733	\$ (1,527)	\$ 2,919	\$ 1,385,125
Social Responsibility	528,218	(440)	-	527,778
Foster Grandparent Program Title II, Part B	357,647	(144)	-	357,503
United States Conference of Catholic Bishops	219,499	-	-	219,499
Match Grant	134,728	-	-	134,728
Counseling, Maternity & Adoption	510,371	(1,488)	-	508,883
Satellite Counseling Offices	56,600	-	-	56,600
Family Achievement Center	279,249	-	-	279,249
Employment Services	300,398	(100)	500	300,798
Case Management	361,174	-	-	361,174
Behavioral Health	393,818	-	-	393,818
Housing Program	14,778	-	949,238	964,016
LA CHIP	6,776	-	-	6,776
CCTP (ESBG & FEMA)	44,713	-	-	44,713
Joseph Homes (ESBG)	137,948	(29,529)	49,271	157,690
Direct Assistance	555,314	-	-	555,314
Disaster Response	2,265,908	(55,835)	166,962	2,377,035
Refugee Cash Assistance	592,636	(340)	-	592,296
Refugee Social Services	148,573	-	-	148,573
Migration and Refugee Services	153,334	-	-	153,334
Migration and Refugee Services Legal	220,849	(1,202)	1,198	220,845
Other Program Services	634,374	(18,149)	-	616,225
	<u>\$ 9,300,638</u>	<u>\$ (108,754)</u>	<u>\$ 1,170,088</u>	<u>\$ 10,361,972</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities of the Diocese
of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Catholic Charities of the Diocese of Baton Rouge, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Catholic Charities of the Diocese of Baton Rouge's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Baton Rouge's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a control deficiency, or a combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted certain other matters that we reported to the management of Catholic Charities of the Diocese of Baton Rouge, Inc in a separate letter dated December 22, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 22, 2010



Postlethwaite
& Netterville

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities of the Diocese
of Baton Rouge, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR) (a non-profit organization) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. CCDBR's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of CCDBR's management. Our responsibility is to express an opinion on CCDBR's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCDBR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CCDBR's compliance with those requirements.

In our opinion, CCDBR complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of CCDBR is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered CCDBR's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCDBR's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

CCDBR's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit CCDBR's responses and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Catholic Charities of the Diocese of Baton Rouge, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010, which is on page 1 of this reporting package. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the board of directors, management, federal awarding agencies, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite ; Netteville

Baton Rouge, Louisiana
December 22, 2010

CATHOLIC COMMUNITY SERVICES OF BATON ROUGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANT AGENCY/RECIPIENT STATE</u> <u>AGENCY/GRANT PROGRAM/NUMBER</u>	<u>CFDA</u> <u>NUMBER</u>	<u>EXPENDITURES</u>
Department of Labor:		
Pass through from the State of Louisiana		
- Governor's Office of Elderly Affairs:		
Senior Community Service Employment Program	17.235	\$ 1,209,315
Senior Community Service Employment Program - ARRA	17.235	<u>135,651</u>
Total U.S. Department of Labor		<u>1,344,966</u>
Department of Health and Human Services:		
Direct Assistance:		
Refugee Social Services Program	93.566	146,978
Refugee Cash Assistance	93.566	577,191
Pass through from Administration for Children and Families		
- Office of Refugee Resettlement:		
United States Conference of Catholic Bishops - Match Grant	93.576	<u>134,728</u>
Total Department of Health and Human Services		<u>858,897</u>
Department of Housing and Urban Development:		
Direct Assistance:		
Emergency Shelter Block Grant	14.231	47,323
Homeless Prevention and Rapid Re-Housing - ARRA	14.262	<u>152,909</u>
Total Department of Housing and Urban Development		<u>200,232</u>
Department of State:		
Direct Assistance:		
United States Conference of Catholic Bishops		219,499
Corporation for National and Community Service:		
Direct Assistance:		
Foster Grandparent Program, Title II, Part B	94.001	327,305
Department of Homeland Security:		
Direct Assistance:		
Emergency Food and Shelter National Board Program - Regular	97.024	88,342
Emergency Food and Shelter National Board Program - ARRA	97.114	<u>2,598</u>
Total Federal Emergency Management Agency		<u>90,940</u>
Total Federal Expenditures		<u>\$ 3,041,839</u>

See accompanying notes to schedule of expenditures of federal awards.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of federal financial awards includes the federal grant activity of Catholic Charities of the Diocese of Baton Rouge, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

	<u>Expenses</u>	<u>Non- Federal Award Expenditures</u>	<u>Non-cash Adjustments, Including Depreciation</u>	<u>Equipment Purchases</u>	<u>Expenditures</u>
Senior Employment	1,383,733	(40,159)	(1,527)	2,919	1,344,966
Social Responsibility	528,218	(527,778)	(440)	-	-
Foster Grandparent Program Title II, Part B	357,647	(30,198)	(144)	-	327,305
United States Conference of Catholic Bishops	219,499	-	-	-	219,499
Match Grant	134,728	-	-	-	134,728
Counseling, Maternity & Adoption	510,371	(508,883)	(1,488)	-	-
Satellite Counseling Offices	56,600	(56,600)	-	-	-
Family Achievement Center	279,249	(279,249)	-	-	-
Employment Services	300,398	(300,798)	(100)	500	-
Case Management	361,174	(361,174)	-	-	-
Behavioral Health	393,818	(393,818)	-	-	-
Housing Program	14,778	(964,016)	-	949,238	-
LA CHIP	6,776	(6,776)	-	-	-
CCTP (ESBG & FEMA)	44,713	(2,171)	-	-	42,542
Joseph Homes (ESBG)	137,948	-	(29,529)	49,271	157,690
Emergency Assistance	555,314	(464,374)	-	-	90,940
Disaster Response	2,265,908	(2,377,035)	(55,835)	166,962	-
Refugee Cash Assistance	592,636	(15,105)	(340)	-	577,191
Refugee Social Services	148,573	(1,595)	-	-	146,978
Migration and Refugee Services	153,334	(153,334)	-	-	-
Migration and Refugee Services Legal	220,849	(220,845)	(1,202)	1,198	-
Other Program Services	634,374	(616,225)	(18,149)	-	-
	<u>\$ 9,300,638</u>	<u>\$ (7,320,133)</u>	<u>\$ (108,754)</u>	<u>\$ 1,170,088</u>	<u>\$ 3,041,839</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? x yes _____ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes x no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

17.235

Senior Community Service Employment Program (SCSEP)

14.262

Homeless Prevention and Rapid Re-Housing Program (HPRP)

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.
- Catholic Charities of the Diocese of Baton Rouge, Inc. was determined to be a low-risk auditee.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

B. Findings – Financial Statement Audit

None noted

C. Findings and Questioned Costs – Major Federal Award Program

17.235 Senior Community Service Employment Program (SCSEP)

2010-1 Activities Allowed

Criteria: Under the terms of the contractual agreement with the State of Louisiana, Office of the Governor, Office of Elderly Affairs (OEA) sub-grantees are responsible for performing work site visits with the host agency on each participant in the Senior Community Service Employment Program during the service period.

Condition: In the testing performed, 6 out of a sample of 51 participants, lacked documentation of a work site visit having been performed.

Cause: The employment counselor did not have access to the participant files.

Questioned Costs: Not applicable

Effect: The Organization is not in compliance with the terms of its agreement with the OEA. Noncompliance with contract terms may result in reduced funding to the Organization.

Recommendation(s):

We recommend all host agencies visits be documented by the employment counselor and either faxed or emailed to the program administrator for placement in the participants' file to comply with the contractual terms of the agreement with the OEA.

View of Responsible Official and Planned Corrective Action:

Two or more required visits were made to all clients (except one who participated less than one-half year) to ensure that all clients worked in a safe environment. These six clients are located in remote sites outside the boundaries of the Diocese, and the visits were conducted by an employment counselor who did not have access to client file folders in Baton Rouge. The dates of his site visits were recorded in a Host Agency directory maintained by another staff member, but were not documented in the files on a timely basis. Documentation of visits to the sites also exists in mileage records as well as in file folders of other enrollees at the same sites. The SCSEP counselor will document and the program director will monitor the requisite twice-yearly site visits.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

C. Findings and Questioned Costs – Major Federal Award Program (continued)

17.235 Senior Community Service Employment Program (SCSEP) (continued)

2010-2 Procurement, Suspension and Debarment

Criteria: Organizations are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred with the federal government. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000.

Condition: The Organization must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). However, the Organization did not verify whether host agencies were suspended or debarred. It was noted that those host agencies selected during our testing were not suspended or debarred.

Cause: The Organization inadvertently overlooked, including the appropriate language in its applications with respect to suspension and debarment of its host agencies.

Questioned Costs: Not applicable

Effect: Without verification of whether host agencies are suspended or debarred the Organization may inadvertently contract with a suspended or debarred entity which could result in the Organization being responsible for refunding any funds paid to those agencies.

Recommendation:
 A procedure should be developed to ensure that all host agencies are checked with the EPLS website as part of the application process.

View of Responsible Official and Planned Corrective Action:

The Host Agency Application has been in use for many years and has been subject to annual review by the state agency. There has never previously been a recommendation for modifying the agreement in this way. This is an area of compliance that has only recently become significant to the SCSEP nationally. There has never yet been a violation in our program locally but it is appropriate that we become sensitized to this to prevent future problems.

The SCSEP Counselor will check the EPLS website as part of every host agency application. In addition, all host agencies will be checked annually with the EPLS website. Finally, the Host Agency Agreement will be modified to include a notification requirement in the case of a status change affecting the host agency's eligibility.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Findings – Financial Statement Audit

None noted

Findings and Questioned Costs – Major Federal Award Programs

None noted